

WC-03-216

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FCC/MELLON SEP 25 2003

In the Matter of)
)
Stratos Offshore Services Company,)
Stratos Telecom, Inc.,)
Stratos Mobile Networks, Inc.,)
Stratos Communications, Inc., and)
Satellite Distribution Services, Inc.)
)
Application Under Section 214)
of the Communications Act of 1934,)
As Amended, for Transfer of Control)

File No. _____

**APPLICATION FOR TRANSFER OF CONTROL OF
INTERNATIONAL AND DOMESTIC SECTION 214 AUTHORITY**

Pursuant to Section 214 of the Communications Act of 1934 as amended, 47 U.S.C. § 214, and Commission Rule 63.24, 47 C.F.R. § 63.24, Stratos Global Corporation ("Stratos Global") and Aliant Inc. ("Aliant") (collectively "Applicants") hereby request approval for Aliant to relinquish its direct control of Stratos Global and its indirect control of Section 214 licensees Stratos Offshore Services Company, Stratos Telecom, Inc., Stratos Mobile Networks, Inc., Stratos Communications, Inc., and Satellite Distribution Services, Inc. (the "Stratos Licensees"). As explained in detail below, control over the Stratos Licensees will be held by Stratos Global after completion of the proposed transaction. Part I of this application describes the means by which the proposed relinquishment will take place and demonstrates that grant of this application will be in the public interest. Part II provides the information required by 47 C.F.R. § 63.18. Part III provides the information required for requests to transfer domestic

Section 214 authority, in accordance with 47 C.F.R. § 63.04(b). The applicable fees according to the FCC's fee schedule, Fee Code CUT, accompany this application.

I. DESCRIPTION OF THE TRANSACTION AND PUBLIC INTEREST STATEMENT

The Stratos Licensees hold international Section 214 authorizations to provide global facilities-based and resale services, as well as domestic Section 214 authority. Currently, the Stratos Licensees are wholly-owned by Stratos Preferred Investments, Inc. (a U.S. corporation). In turn, Stratos Preferred Investments, Inc. is wholly-owned by Stratos Holdings, Inc. (a U.S. corporation). Stratos Holdings, Inc. is approximately 79% owned by Stratos Global (a Canadian corporation) and approximately 21% owned by Stratos Wireless, Inc. (a Canadian corporation), a wholly-owned subsidiary of Stratos Global. Stratos Global is approximately 53%¹ owned and controlled by Aliant (a Canadian corporation), a company indirectly controlled by BCE, Inc.² A chart depicting the relevant aspects of the current corporate structure is appended hereto as Attachment 1.

A. Description of the Transaction

Aliant proposes to relinquish control of Stratos Global Corporation and the FCC authorizations held by Stratos Global's subsidiaries by selling its interest in Stratos Global to multiple shareholders through a secondary public offering (the "Aliant Offering"). Aliant will

¹ The remaining 47% of Stratos Global is publicly-traded on the Toronto Stock Exchange. Other than the shares held by Aliant, no entity or individual directly owns more than 10% of Stratos Global.

² 3588378 Canada, Inc. (a Canadian corporation), which is a wholly-owned subsidiary of Bell Canada Holdings, Inc. (a Canadian corporation) owns 39.1% of Aliant, Inc. 3810208 Canada, Inc., a wholly-owned subsidiary of 3588378 Canada, Inc., owns 13.99% of Aliant, Inc. Bell Canada Holdings, Inc. is a wholly-owned subsidiary of Bell Canada and Bell Canada is a wholly-owned subsidiary of BCE, Inc. (a Canadian corporation).

issue "subscription receipts" that can be exchanged for Aliant's shares in Stratos Global once all relevant FCC approvals have been obtained for the transfer of control.³ No voting or control rights in Stratos Global are associated with the subscription receipts. Aliant will retain the voting rights in its shares of Stratos Global until FCC approval. However, for the protection of the holders of the subscription receipts, Aliant will place its Stratos Global shares in escrow and provide a negative covenant not to dispose or encumber the shares pending FCC approval of the transaction.

Once the subscription receipts have been sold to multiple investors and then exchanged for Stratos Global shares following FCC approval, Aliant's interest in Stratos Global will be reduced from approximately 53% to zero. Stratos Global will continue to be a public company that is widely-held by primarily U.S. and Canadian shareholders, with all of its shares trading on the Toronto Stock Exchange. As a widely-held public company, no one shareholder will be in control of Stratos Global. Accordingly, upon FCC approval and conversion of the subscription receipts to Stratos Global shares, control of Stratos Global and its subsidiaries holding FCC licenses will pass from Aliant to Stratos Global's numerous public shareholders, none of whom will hold a controlling stake.⁴ A chart depicting the proposed corporate structure is appended hereto as Attachment 2.

³ The purchase money for the subscription receipts is payable in two equal installments. The first installment is payable upon issuance of the subscription receipts and the initial proceeds will be placed in an interest-bearing escrow fund pending FCC approval. The escrow funds will be released to Aliant once notice has been given by Aliant and the lead underwriter after FCC approval has been obtained. The second installment is payable upon receipt of all necessary FCC approvals for the relinquishment of control, upon which time the subscription receipts will be exchanged for Aliant's shares in Stratos Global.

⁴ Stratos Offshore Services Company and Stratos Communications, Inc. also hold licenses under Title III of the Communications Act. In a prior Petition for Declaratory Ruling, the Commission approved the indirect foreign ownership of these licensees by Stratos Global

B. Public Interest Statement

The proposed transaction is in the public interest. Aliant's proposed relinquishment of control will have little impact on the day-to-day operations of Stratos Global and its subsidiaries, which will continue to provide the telecommunications services that they presently provide under their FCC authorizations. Moreover, the sale of Aliant's controlling stake in Stratos Global and its subsidiaries will serve the public interest by eliminating a dominant foreign carrier's affiliation with Commission licensees. Aliant itself is subject to dominant carrier regulation on the U.S.-Canada route. Aliant is indirectly controlled by BCE, Inc., a Canadian telecommunications provider (through its subsidiary Bell Canada) that controls incumbent local exchange carriers in some Canadian telecommunications markets.⁵ Once Aliant sells its stake in Stratos Global, the subsidiaries of Stratos Global that hold FCC authorizations will no longer be affiliated with BCE (and its subsidiaries), eliminating any concern that the previous affiliation with a foreign incumbent local exchange company would distort competition in the United States.

C. Pending Applications

To the extent that any pending applications, or any other applications for new facilities or for renewal or modification of existing facilities, are granted prior to the closing of this transaction, the Applicants request a determination by the Commission that the grant of this

Corporation, Stratos Wireless, Inc. and their Canadian shareholders. *See International Authorizations Granted*, Public Notice Report No. TEL-00458 (rel. Nov. 1, 2001). Stratos understands that an additional waiver would be needed if investors from another country would cumulatively own greater than 25% of Stratos Global and/or Stratos Wireless as a result of the proposed transaction.

⁵ Following approval of the transaction, the Stratos Licensees will petition to be declared non-dominant on the U.S.-Canada route. The Applicants do not seek such a determination at this time.

application includes authority for Stratos Global to acquire control of any subsequently granted authorizations.

II. SECTION 63.18 INFORMATION

Pursuant to Section 63.24 (e)(2) of the Commission's Rules, 47 C.F.R. § 63.24

(e)(2), the following information is provided to the Commission:

A. Information Regarding Transferor and Transferee

1. Information for Transferor Aliant:

(a) Name, address and telephone number:

Aliant Inc.
One New Brunswick Square
P.O. Box 5030
Saint John, New Brunswick, E2L 4L4
Canada
(709) 739-2320

(b) Aliant is a corporation organized under the laws of Canada.

(c) Contact Information:

Officer Contact:
Paul G. Fitzpatrick
Senior Counsel
Aliant Inc.
5th Floor, Fort William Building
10 Factory Lane, P.O. Box 2110
St. John's, NL, Canada, A1C 5H6
(709) 739-2320

Legal Counsel:
Albert Halprin
Halprin Temple
950 North, 555 12th Street, N.W.
Washington, D.C. 20004
(202) 371-9100

(d) Aliant has previously received Section 214 authority from the Commission and is authorized to provide international switched services on facilities and resale bases.

2. Information for Transferee Stratos Global:

(a) Name, address and telephone number:

Stratos Global Corporation
Paramount Bldg., 4th Floor
34 Harvey Road
St. John's, NF
Canada A1C 2G1
(709) 724-5200

(b) Stratos Global is a corporation organized under the laws of
Canada.

(c) Contact Information:

Officer Contact:
Paul M. Kugelman
Assistant Corporate Secretary
Stratos Global Corporation
6901 Rockledge Drive, Suite 900
Bethesda, MD 20817
(301) 214-8800

Legal Counsel:
Alfred M. Mamlet
Marc A. Paul
Rhonda M. Bolton
Steptoe & Johnson LLP
1330 Connecticut Avenue NW
Washington, DC 20036
(202) 429-3000

(d) Stratos Global has not previously received Section 214 authority from the Commission (and is not requesting such authority here).

B. Additional information Regarding Transferee

Pursuant to Section 63.24 (e)(2) of the Commission's Rules, the following information is provided to the Commission concerning only transferee Stratos Global Corporation:

(h)⁶ Ownership Information

Upon approval of this application, Stratos Global will be a public company that is widely-held by primarily U.S. and Canadian shareholders, with its shares traded on the Toronto Stock Exchange. As a widely-held public company, no one shareholder will control Stratos Global. While no limit has been imposed on the percentage of Stratos Global equity that may be owned by an investor, it is doubtful that any investor will hold more than 10% because to do so would make that investor an "insider" under Canadian law, thereby limiting the liquidity of their stock interest. However, should any 10% or greater shareholders exist after consummation of the Aliant Offering, the Stratos Licensees will make any required filings under the Commission's regulations.

Stratos Global has interlocking directorates with foreign carriers. Specifically, five members of Stratos Global's Board of Directors are also board members or officers of Aliant Telecom Inc., an incumbent local exchange carrier in the Canadian Atlantic provinces. One of these five Stratos Global board members is also a director and officer of Bell Canada, a Canadian telecommunications carrier.

⁶ The headings in this subsection correspond to the relevant headings in Commission Rule 63.18. See 47 C.F.R. § 63.18.

(i) Stratos Global certifies, by signature to this application, that upon approval of the proposed transaction it will remain affiliated with the following foreign carriers:

- Stratos Wireless, Inc., a Canada-based provider of mobile satellite services;
- Stratos Global, Ltd., a provider of mobile satellite services and very small aperture terminal ("VSAT") services based in Great Britain; and
- Stratos Aeronautical Limited, a provider of mobile satellite services based in Great Britain.

Each of these foreign carrier affiliates is 100% owned, directly or indirectly, by Stratos Global.

(j) Stratos Global certifies, by signature to this application, that it does not seek to provide international telecommunications service to any destination where: (1) Stratos Global is a foreign carrier; or (2) two or more parties own, in the aggregate, more than 25% of Stratos Global and are parties to, or the beneficiaries of, a contractual relationship that affects the provision or marketing of international basic telecommunications services in the United States.

Stratos Global certifies that it does seek to provide telecommunications services through its licensed subsidiaries to destinations in which Stratos Global controls a foreign carrier in that country. Specifically, the Stratos Licensees may provide services to: (1) Canada, a destination in which Stratos Global controls a foreign carrier providing satellite and HF radio services, Stratos Wireless; and (2) Great Britain, a destination in which Stratos Global controls two foreign carriers providing satellite services, Stratos Global, Ltd. and Stratos Aeronautical Limited. None of Stratos Global's foreign carrier affiliates have a 50 percent or greater share of the markets for international transport and local access in their respective destination countries.

(k) The destination countries listed in the response to item (j) above, Canada and Great Britain, are members of the World Trade Organization.

(l) The Stratos Licensees are currently classified as dominant on the U.S.-Canada route due to their current affiliation with BCE, Inc., a Canadian telecommunications provider (through its subsidiary Bell Canada) that controls incumbent local exchange carriers in some Canadian telecommunications markets. While the proposed transaction will result in the termination of the Stratos Licensees' affiliation with BCE, Inc., thus justifying a change in the Stratos Licensees' regulatory classification, the Applicants will not seek such a determination at this time, but will seek a change in regulatory status by a later petition. The Stratos Licensees are classified as non-dominant on all other routes. As demonstrated in paragraph (m) below, the Stratos Licensees are entitled, pursuant to 47 C.F.R. § 63.10(a)(3), to maintain non-dominant status on such other international routes.

(m) As noted in paragraph (l) above, the Stratos Licensees agree to continue being regulated as dominant on the U.S.-Canada route without prejudice to their right to petition later for a reclassification as a result of this transaction.

The Stratos Licensees qualify for non-dominant classification on all routes other than the U.S.-Canada route. The Stratos Licensees have two foreign carrier affiliates in Great Britain: (1) Stratos Global Limited is authorized by the British regulatory authority to provide mobile satellite service and VSAT service. Stratos Global Limited has less than a 50 percent market share in the international transport and the local access markets in Great Britain, and therefore lacks sufficient market power in Great Britain to affect competition adversely in the U.S. market. *See* 47 C.F.R. § 63.10(a)(3). (2) Stratos Aeronautical Limited is a provider of mobile satellite services based in Great Britain. Stratos Aeronautical Limited has less than a 50 percent market share in the international transport and the local access markets in Great Britain, and therefore lacks sufficient market power in Great Britain to affect competition adversely in

the U.S. market. *See id.* In addition, Stratos Global Limited and Stratos Aeronautical Limited collectively have less than a 50 percent market share in the international transport and the local access markets in Great Britain.

In sum, with respect to routes other than U.S.-Canada, Transferee Stratos Global and the Stratos Licensees are not affiliated with any foreign carrier that has a 50 percent or greater market share in the international transport and the local access markets in Great Britain, or in any other destination market. Therefore, under, Section 63.10(a)(3) of the Commission's Rules, the Stratos Licensees should presumptively be classified as non-dominant on all routes other than the U.S.-Canada route.

(n) Stratos Global certifies, by signature to this application, that it has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.

(o) Stratos Global certifies, by signature to this application, that it is not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. *See* 21 U.S.C. § 853a.

(p) *Stratos Global respectfully requests streamlined processing of this application pursuant to Section 63.12 of the Commission's Rules, 47 C.F.R. § 63.12.* Although Stratos Global is affiliated with foreign carriers in the destination markets of Canada and Great Britain, this application qualifies for streamlined processing for the following reasons: (1) With respect to Canada, a WTO Member country, the Stratos Licensees agree to their continued classification as a dominant carrier under Commission Rule 63.10 without prejudice to their right to petition later for reclassification, pursuant to Commission Rule 63.12 (c)(v), 47 C.F.R. § 63.12(c)(v);

(2) With respect to all other routes, the Stratos Licensees qualify for a presumption of non-dominance under 47 C.F.R. § 63.10(a)(3) because their foreign carrier affiliates, individually and collectively, have less than a 50 percent share of the local access and international transport markets in their respective destination markets, *see* 47 C.F.R. § 63.12(c)(1)(ii); (3) Stratos Global and the Stratos Licensees are not affiliated with any dominant U.S. carrier whose international switched or private lines services they seek to resell, *see* 47 C.F.R. § 63.12(c)(2); and (4) this application does not seek authority to provide switched service over private lines to countries not previously authorized for service by the Commission, *see* 47 C.F.R. § 63.12 (c)(3).

III. SECTION 63.04(b) INFORMATION

Pursuant to Section 63.04(b) of the Commission's Rules, the following information is provided to the Commission:

- (a) Description of the transaction: *See* Part I, *supra*.
- (b) The transferor, Aliant, itself provides no domestic telecommunications services.

Aliant's indirect subsidiaries, including the Stratos Licensees, provide domestic telecommunications services as follows:

- Stratos Telecom, Inc. is a competitive local exchange carrier operating in Texas and Louisiana.
- Stratos Communications, Inc., Stratos Mobile Networks, Inc. and Satellite Distribution Services offer a range of mobile satellite services throughout the U.S.
- Stratos Offshore Services Company provides fixed satellite and terrestrial wireless services in Texas, Louisiana and in the Gulf of Mexico.

Stratos Telecom, Inc., Stratos Communications, Inc., Stratos Offshore Services Company, Stratos Mobile Networks, Inc. and Satellite Distribution Services, Inc. are currently

direct or indirect subsidiaries of Transferee Stratos Global; accordingly, the foregoing description of services provided by these entities applies to Stratos Global as well as Aliant.

Entities that are affiliated with Aliant through common ownership by Aliant's ultimate parent, BCE, Inc., provide domestic telecommunications services as follows:

- BCE Nexxia Corporation provides facilities-based and resold interexchange data (private line, ATM, Frame, IP, VPN) and video distribution services throughout the United States;
- Infosat Communications, Inc. (USA) provides fixed and mobile satellite services throughout the United States;
- Mobile Satellite Ventures Corporation provides mobile satellite services throughout the United States;
- Mobile Satellite Ventures Subsidiary LLC provides mobile satellite services throughout the United States; and
- Telesat Canada provides fixed satellite services throughout the United States.

(c) This application should be accorded presumptive streamlined treatment under Commission Rule 63.03(b)(2). 47 C.F.R. § 63.03(b)(2). Specifically, as a result of the proposed transaction, Transferee Stratos Global's licensed affiliates will continue to have a market share in the interstate, interexchange market of less than 10 percent, these licensees would provide competitive telephone services or exchange access services (if at all) exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the transaction, and neither the transferor, the transferee, or the Stratos Licensees is dominant with respect to any service. *See* 47 C.F.R. § 63.03(b)(2)(i).

(d) In connection with this transaction, the Applicants have submitted applications for transfer of control of the Title III authorizations held by Stratos Offshore Services Company and Stratos Communications, Inc., two of the licensees affected by the proposed transaction.

(e) Applicants do not seek special consideration due to any imminent business failure of any party.

(f) No separately filed waivers are being sought in conjunction with this application.

(g) See Part I, *supra* for a discussion of how the proposed transaction will serve the public interest. The proposed transaction will have no adverse effect on competition in domestic markets, as the status of the Stratos Licensees' controlling entity will not change – specifically, the Stratos Licensees will not be controlled by an entity that also provides domestic telecommunication services. Further, the transaction will sever affiliations with Canadian incumbent local exchange carriers, eliminating any remote possibility of using those affiliations to impact the U.S. market.

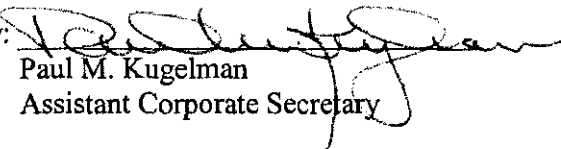
Accordingly, Stratos Global and Aliant respectfully request that the Commission promptly approve Aliant's relinquishment of its direct control of Stratos Global and its indirect control of the Stratos Licensees.

Date: September 25, 2003

Respectfully submitted,

Stratos Global Corporation

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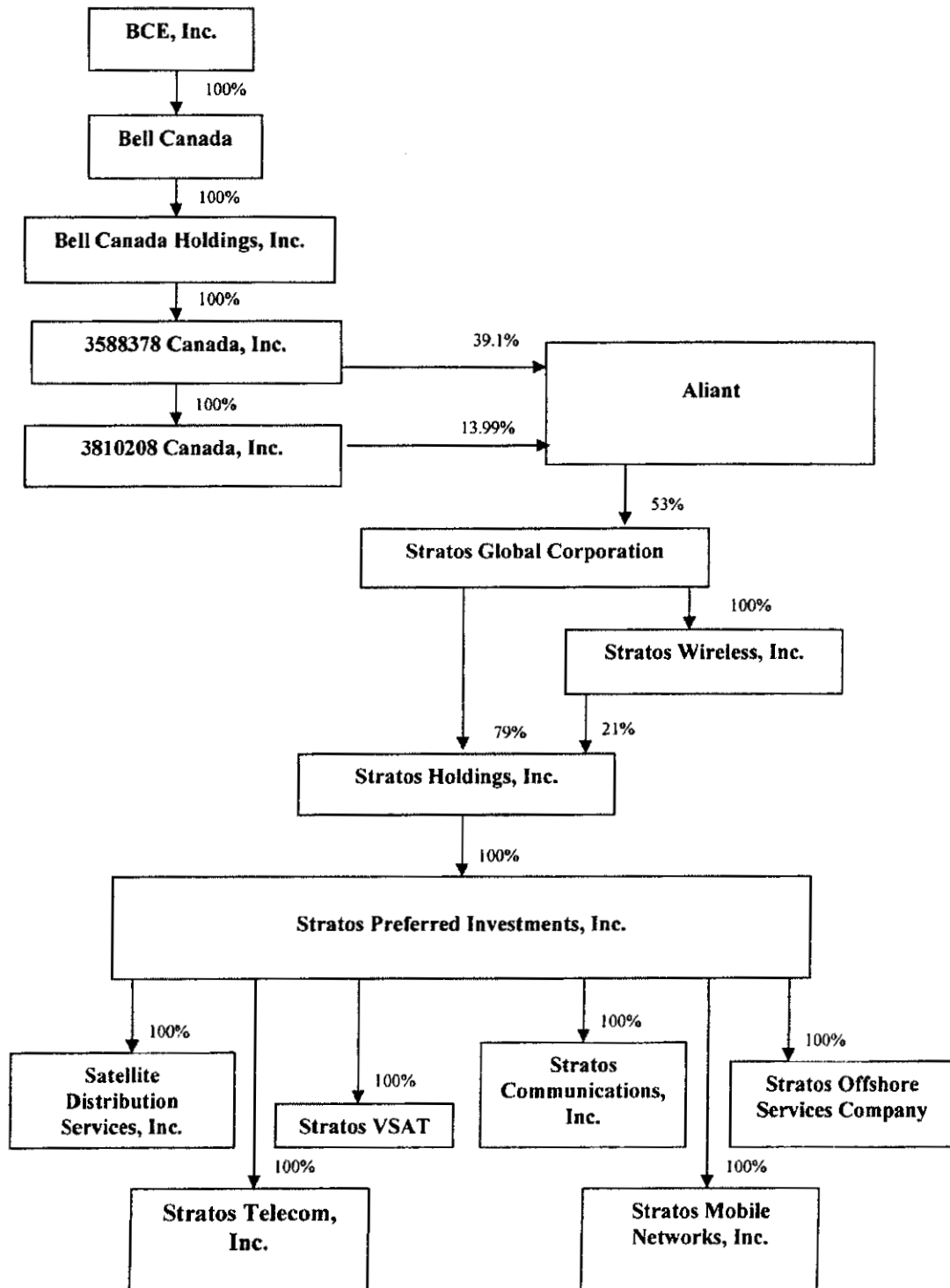
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ATTACHMENT 1

Current Structure



ATTACHMENT 2

Proposed Structure

